

Message Text

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INFORM CONSULS

E.O. 11652: N/A

TAGS: EAID

SUBJECT: SUMMARY REPORT: FY 78 FOREIGN ASSISTANCE LEG-
ISLATION

1. BACKGROUND - ADMINISTRATION PROPOSALS: THE FY 78 BUD-
GET REQUESTS FOR FOREIGN ASSISTANCE AUTHORIZATIONS AND
APPROPRIATIONS SUBMITTED BY THE ADMINISTRATION (SEE ATTACH-
ED TABLE, PARA. 3) REFLECT A NUMBER OF NEW FOREIGN
ECONOMIC POLICY OBJECTIVES AND ARE CLOSELY LINKED TO THE
OVERALL U.S. APPROACH TO NORTH-SOUTH RELATIONS. AS A
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RESULT OF THE ON-GOING DIALOGUE BETWEEN DEVELOPED AND DEV-
DEVELOPINGNATIONS, THREE PRIMARY AREAS HAVE BEEN IDENTIFIED
IN WHICH A COMMONALITY OF INTERESTS EXIST. THESE ARE
FOREIGN ASSISTANCE, TRADE, AND INVESTMENT. TRADE AND
INVESTMENT POLICIES WILL BE OF GREATEST CONCERN TO THE
HIGHER INCOME DEVELOPING COUNTRIES WHOSE ECONOMIES ARE
CA,ABLE OF REAPING BENEFITS FROM CONCESSIONS IN THESE
AREAS. FOREIGN ASSISTANCE PROGRAMS WILL CONTINUE TO BE OF
GREATEST IMPORTANCE FOR THE POOREST COUNTRIES, AND THE
BUDGET SUBMISSIONS FOR FOREIGN ASSISTANCE REFLECT THE HIGH

PRIORITY T;AT THE ADMINISTRATION PLACES ON MEETING THESE NEEDS.

THE TOTAL FY 78 BUDGET SUBMISSION FOR ECONOMIC ASSISTAN-" (E.G. AID - BILATERAL, MULTILATERAL, P.L. 480, AND SECURITY SUPPORTING ASSISTANCE) IS \$7.8 BILLION, REPRESENTING A 34 PERCENT INCREASE OVER ACTUAL LEVELS IN FY 77 (INCLUDING THE FY 77 SUPPLEMENTAL APPROPRIATIONS FOR INTERNATIONAL FINANCIAL INSTITUTIONS). THE LARGEST REQUESTED INCREASE IS FOR U.S. CONTRIBUTIONS TO INTERNATIONAL FINANCIAL INSTITUTIONS (IFIS), WHICH TOTAL \$2.6 BILLION - DOUBLE THE \$1.3 BILLION FIGURE IN FY 77. THIS INCREASE REFLECTS BOTH THE U.S. COMMITMENT TO AVOID ANY FURTHER ARREARS ON CONTRIBUTIONS TO IFIS (AN EFFORT WHICH BEGAN WITH THE FY 77 SUPPLEMENTAL BUDGET REQUESTS) AS WELL AS TO INCREASE SUBSTANTIALLY THE FUNDS AVAILABLE FROM IFIS FOR THE POOREST COUNTRIES, PARTICULARLY THROUGH THE FIFTH REPLENISHMENT OF IDA.

OTHER PRIORITY AREAS REFLECTED IN THE FY 78 BUDGET SUBMISSIONS INCLUDE THE PROVISION OF BASIC HUMAN NEEDS, AND STRENGTHENING THE "NEW DIRECTIONS" OF AID PROGRAMS FOCUSING ON SELF-HELP DEVELOPMENT PROGRAMS FOR THE POOREST SEGMENTS OF DEVELOPING COUNTRY POPULATIONS. SPECIAL EMPHASIS UNCLASSIFIED

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HAS ALSO BEEN GIVEN TO REGIONAL DEVELOPMENT AND SECURITY INTERESTS IN THE SAHEL REGION AND THE MIDDLE EAST.

2. RELATIONSHIP TO U.S. STRATEGY FOR NORTH-SOUTH RELATIONS : COMING AFTER A YEAR OF EXTENSIVE ACTIVITY ON NORTH-SOUTH ISSUES, THE FY 78 BUDGET REQUESTS REFLECT BOTH A GROWING U.S. AWARENESS OF LDC NEEDS AS THEY WERE AIRED IN UNCTAD IV, CIEC, AND OTHER FORUMS AND ALSO A REDIRECTION IN U.S. STRATEGY. DUE IN PART TO THE PERCEIVED INADEQUACY OF PREVIOUS, MORE TRADITIONAL DEVELOPMENT ASSISTANCE EFFORTS AND FUELED BY THE WORLD ECONOMIC RECESSION WHICH LOWERED LDC EXPORT EARNINGS AND RAISED THEIR LEVEL OF INTERNATIONAL DEBT, MANY OF THE LDC DEMANDS AIRED IN 1976 AND EARLY 1977 AT UNCTAD IV AND CIEC FOCUSED ON INDIRECT METHODS FOR RESOURCE TRANSFER SUCH AS COMMODITY PRICE INCREASES AND GENERALIZED DEBT RELIEF. THE U.S. OPPOSED THESE INDIRECT FORMS OF ASSISTANCE, BUT IN VIEW OF THE CONGRESSIONAL RESISTANCE TO INCREASED AID EXPENDITURES PERCEIVED AT THAT TIME, IT WAS DIFFICULT TO GENERATE EXTENSIVE U.S. COUNTER-PROPOSALS WHICH WOULD SUPPORT THE FORTH-COMING POSTURE WE SOUGHT WITHIN THE NORTH-SOUTH DIALOGUE. THE RESULT WAS A SERIES OF TACTICAL U.S. INITIATIVES DESIGNED PRIMARILY TO MAINTAIN THE MOMENTUM OF THE DIALOGUE AND TO DEFUSE THE MORE CONTENTIOUS SUBSTANTIVE ISSUES.

AS THE WORLD ECONOMY IMPROVED AND LDC FINANCING CONSTRAINTS WERE EASED SOMEWHAT, THE SHORT-RUN CONSIDERATIONS WHICH

HAD PROMPTED LDC DEMANDS FOR INDIRECT RESOURCE TRANSFERS WERE REPLACED BY THE LONGER TERM GOALS OF GROWTH AND EQUITY WHICH CAN BE MOST EFFECTIVELY ADDRESSED THROUGH DIRECT MEASURES SUCH AS DEVELOPMENT ASSISTANCE AND TRADE. AS

REFLECTED IN THE COMMUNIQUE ISSUED AFTER THE LONDON SUMMIT IN MAY AND THE JUNE OECD MINISTERIAL, THE INDUSTRIALIZED COUNTRIES HAVE PLEDGED THEIR COMMITMENT TO BOTH IMPROVING AND INCREASING DEVELOPMENT ASSISTANCE FLOWS AND

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PURSUING MTN NEGOTIATIONS WITH A SPECIAL EMPHASIS ON MEASURES TO ASSIST LDCS. THE FY 78 BUDGET SUBMISSIONS CLEARLY SUPPORT THE U.S. COMMITMENT TO INCREASE DEVELOPMENT ASSISTANCE.

3. BREAKDOWN OF THE FY 78 BUDGET REQUESTS: THE FY 78 BUDGET REQUESTS FOR FOREIGN ECONOMIC AND FINANCIAL ASSISTANCE CAN BE BROKEN DOWN TO FIVE MAJOR CATEGORIES AS SHOWN BELOW. FIGURES ARE INCLUDED INDICATING ADMINISTRATION REQUESTS AS WELL AS THE LEVELS RECOMMENDED BY BOTH THE FULL HOUSE AND SENATE. FINAL LEVELS WILL BE DETERMINED IN CONFERENCE WHEN CONGRESS RESUMES ACTIVITY IN SEPTEMBER.

FOREIGN ECONOMIC AND FINANCIAL ASSISTANCE (\$ MILLION)

/ - -
REQUEST HOUSE SENATE

BILATERAL ASSISTANCE	1108.8	1084.1	1048.3	
MULTILATERAL ASSISTANCE ...	2880.2	2380.0	2235.1	
SECURITY SUPPORTING ASSIS..	2217.0	2228.0	2215.0	
P.L. 480	1211.0	(1211.0)	(1211.0)	
RELATED EXPENSES	346.2	359.3	354.3	
TOTAL	7763.2	7262.4	7063.7	

A. BILATERAL ASSISTANCE: THE U.S. DEVELOPMENT ASSISTANCE PROGRAM OPERATED BY AID IS DESIGNED TO FOCUS ON BASIC HUMAN NEEDS BY SUPPORTING BROAD-BASED, PARTICIPATORY GROWTH TO HELP DEVELOPING COUNTRIES INCREASE THE PRODUCTION, INCOME AND EMPLOYMENT OF THE POOR MAJORITY OF THEIR POPULATION. AID CONCENTRATES THE BULK OF ITS PROGRAM IN THE LEAST DEVELOPED COUNTRIES. THE MAJOR LINE ITEMS IN THIS SECTION OF THE FY 78 BUDGET ARE AS FOLLOWS:

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..... REQUEST ... HOUSE ... SENATE
..... (\$ MILLIONS) .

FUNCTIONAL ACCOUNTS:

--FOOD AND NUTRITION 550.0 535.0 515.0

--POPULATION PLANNING 167.0 160.6 155.0

--HEALTH 104.9 ... 100.0 95.0

--EDUCATION 84.4 ... 80 75

--SELECTED DEV. ACTIVITIES 100.0 ... 95 90

SUBTOTAL 1006.3 ... 970.6 930.0

SAHEL DEVELOPMENT PROGRAM 50.0 ... 50.0 50.0

ITALY RELIEF -- ... 20.0 30.0

AMERICAN SCHOOLS AND 7.5 ... 25.0 19.8

HOSPITALS ABROAD

INTERNATIONAL DISASTER 45.0 ... 18.5 18.5

ASSISTANCE

TOTAL 1108.81084.1 1048.3

AS SHOWN IN THESE FIGURES, EFFORTS TO IMPROVE THE AGRICULTURAL SECTOR IN DEVELOPING COUNTRIES ARE OF PRIMARY IMPORTANCE, REPRESENTING ROUGHLY 50 PERCENT OF THE TOTAL REQUEST FOR BILATERAL PROGRAMS. WHILE LEVELS RECOMMENDED BY CONGRESS ARE LOWER IN NEARLY ALL ACCOUNTS, THE RELATIVE IMPORTANCE OF DIFFERENT FUNCTIONAL ACCOUNTS REMAINS THE UNCLASSIFIED

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SAME.

THE LARGEST CUT IN PERCENTAGE TERMS CAME IN THE REQUEST FOR INTERNATIONAL DISASTER ASSISTANCE. IT SHOULD BE NOTED, HOWEVER, THAT BOTH THE HOUSE AND SENATE HAVE INCLUDED SEPARATE FUNDS FOR ITALY TO BE USED IN ASSISTING VICTIMS OF THE EARTHQUAKES THAT OCCURRED IN MAY AND SEPTEMBER OF LAST YEAR. COMBINING THESE FUNDS WITH CONGRESSIONAL LEVELS FOR INTERNATIONAL DISASTER ASSISTANCE RESULTS IN A FIGURE MUCH CLOSER TO THE ADMINISTRATION REQUEST IN THIS AREA.

WITHIN THE FUNCTIONAL ACCOUNTS, THE \$1006.3 MILLION REPRESENTED BY THE ADMINISTRATION WAS TO BE SUBDIVIDED INTO \$681.3 MILLION FOR GRANTS AND \$325 MILLION FOR LOANS. THIS REFLECTS THE USG COMMITMENT TO INCREASE THE GRANT ELEMENT OF OUR BILATERAL PROGRAMS, PARTICULARLY IN THE LEAST DEVELOPED COUNTRIES. THE CONGRESS HAS CONFIRMED THIS COMMITMENT BY EARMARKING \$310 MILLION FOR LOANS, LEAVING

\$660.61 MILLION (HOUSE) AND \$610 MILLION (SENATE) FOR GRANTS. WHILE CONGRESSIONAL FIGURES ARE LOWER, THE PERCENTAGE ALLOWED FOR GRANTS IS AS LARGE AS THE ADMINISTRATION REQUEST IN THE HOUSE RECOMMENDATION AND IS LARGER IN THE SENATE VERSION.

B. MULTILATERAL ASSISTANCE: U.S. MULTILATERAL PROGRAMS CONSIST OF OUR CONTRIBUTIONS TO INTERNATIONAL FINANCIAL INSTITUTIONS (IFIS) AND VOLUNTARY CONTRIBUTIONS TO INTERNATIONAL ORGANIZATIONS. THESE PROGRAMS ARE NOT SUBSTITUTES FOR BILATERAL ASSISTANCE AS THEY SERVE DIFFERENT, YET COMPLEMENTARY U.S. OBJECTIVES. BECAUSE OF THEIR MULTILATERAL CHARACTER, IFIS ARE OFTEN EFFECTIVE IN NEGOTIATING IMPORTANT DOMESTIC ECONOMIC POLICY REFORMS WITH HOST GOVERNMENTS. IN ADDITION TO THEIR "SOFT WINDOWS" TO WHICH THE U.S. MAKES CONTRIBUTIONS OF PAID-IN CAPITAL FOR USE IN THE LEAST DEVELOPED COUNTRIES, IFIS ARE ALSO ABLE TO RAISE LARGE SUMS OF MONEY IN PRIVATE CAPITAL MARKETS, RELENDING TO DEVELOPING COUNTRIES FOR MAJOR CAPITAL PROJECTS. U.S. PLEDGES OF CALLABLE CAPITAL ARE IMPORTANT TO THIS EFFORT BY ENHANCING THE ABILITY OF IFIS TO BORROW IN THE PRIVATE MARKET. MAJOR LINE ITEMS UNDER THE MULTILATERAL ASSISTANCE CATEGORY INCLUDE:

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TIATING IMPORTANT DOMESTIC ECONOMIC POLICY REFORMS WITH HOST GOVERNMENTS. IN ADDITION TO THEIR "SOFT WINDOWS" TO WHICH THE U.S. MAKES CONTRIBUTIONS OF PAID-IN CAPITAL FOR USE IN THE LEAST DEVELOPED COUNTRIES, IFIS ARE ALSO ABLE TO RAISE LARGE SUMS OF MONEY IN PRIVATE CAPITAL MARKETS, RELENDING TO DEVELOPING COUNTRIES FOR MAJOR CAPITAL PROJECTS. U.S. PLEDGES OF CALLABLE CAPITAL ARE IMPORTANT TO THIS EFFORT BY ENHANCING THE ABILITY OF IFIS TO BORROW IN THE PRIVATE MARKET. MAJOR LINE ITEMS UNDER THE MULTILATERAL ASSISTANCE CATEGORY INCLUDE:

..... REQUEST ... HOUSE .. SENATE
..... (\$ MILLION)

INTERNATIONAL ORGANIZATIONS
AND PROGRAMS..... 264.0 ... 257.0 ... 224.8

U.N. FORCES IN CYPRUS..... (A) 9.1 9.1

IFIS:

ASIAN DEVELOPMENT BANK ... 263.6 .. 200 ... 235.0

--PAID-IN CAPITAL..... (20.4) .. (16) .. (17.5)

--CALLABLE CAPITAL..... (183.2) .. (124) ... (157.5)

--DEVELOPMENT FUND..... (60.0) .. (60) ... (60.0)

IDB: 600 .. 523 523

--PAID-IN CAPITAL..... (40) .. (40) ... (40)

-- ORD. CALLABLE CAPITAL... (200) .. (199) ... (199)

--INTERR. CALLABLE CAPITAL. (160) .. (159) ... (159)

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--FSO..... (200) .. (125) ... (125)

IBRD:..... 523.0 .. 400 ... 400

--PAID-IN CAPITAL (52.3) .. (40) .. (40)

--CALLABLE CAPITAL (470.7) .. (360) .. (360)

IFC 44.6 .. 40 42.3

AFRICAN DEV. FUND L10.0 10.0 .. 10.0

IDA 1175 950 800

IFI SUBTOTAL 2616.2 ... 2123.0 .. 2010.3

MULTILATERAL TOTAL 2880.2 ... 2380.0 .. 2235.1

(A) INCLUDED IN IO REQUEST

WITHIN THE FUNDS RECOMMENDED FOR INTERNATIONAL ORGANIZATIONS, THE HOUSE PLACED A CEILING OF \$120 MILLION FOR THE UNDP (SENATE CEILING FOR UNDP IS \$113 MILLION), \$25 MILLION FOR UNICEF AND \$3 MILLION FOR THE UN DECADE FOR WOMEN. THE SENATE PLACED A PROHIBITION ON USING FUNDS FOR U.S. CONTRIBUTIONS TO THE UN UNIVERSITY.

THE REQUESTED CONTRIBUTIONS FOR U.S. CONTRIBUTIONS TO IFIS WERE REDUCED IN CONGRESS WITH THE EXCEPTION OF THE AFRICAN DEVELOPMENT FUND. THE MAJOR REDUCTION AFFECTS IDA, WITH THE-5EANTE RE THE SENATE RECOMMENDATION OF \$800 MILLION CONTAINING UNCLASSIFIED

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EXPLICIT LANGUAGE PRECLUDING THE USE OF THESE FUNDS FOR U.S. CONTRIBUTIONS TO THE FOURTH REPLENISHMENT OF IDA. SEE PARA. 4 FOR GREATER DETAIL ON IFI ISSUES.

C. SECURITY SUPPORTING ASSISTANCE: THE SECURITY SUPPORTING ASSISTANCE PROGRAMS ARE DESIGNED TO HELP RECIPIENT COUNTRIES WITH THEIR ECONOMIC PROBLEMS THROUGH EFFORTS WHICH ARE CONSISTENT WITH U.S. INTERESTS IN SECURING STABILITY AND PEACE. THE FY 78 REQUESTS INCLUDE CONTINUED ASSISTANCE TO KEY NEAR EAST REGION COUNTRIES (EGYPT, \$750 MILLION; ISRAEL, \$785 MILLION; JORDAN, \$93 MILLION; AND SYRIA, \$90 MILLION) TO ENCOURAGE MOVEMENT TOWARD PERMANENT PEACE IN THAT REGION. EXPANDED PROGRAMS WERE REQUESTED FOR AFRICAN COUNTRIES IN SUPPORT OF U.S.

EFFORTS TO ATTAIN MAJORITY RULE IN SOUTHERN AFRICA THROUGH
PEACEFUL MEANS. NEW PROGRAMS ARE PLANNED FOR JAMAICA
(\$10 MILLION) AND PORTUGAL (\$300 MILLION) TO HELP THESE
NATIONS OVERCOME SEVERE FINANCIAL CRISES. THE MAJOR
COMPONENTS OF THE SECURITY SUPPORTING ASSISTANCE REQUESTS
ARE:

..... REQUEST .. HOUSE .. SENATE
..... (\$ MILLION)

SECURITY SUPPORTING ASSIST. 2187 .. 2215 .. 2202

MIDDLE EAST SPEC. REQUIRE-
MENTS 25 ... 8 ... 8

CONTINGENCY FUND 5 5 5

TOTAL 2217 ... 2228 ... 2215

D. P.L. 480: BUDGET LEVELS FOR P.L. 480 ARE NOT
REQUESTED IN THE FOREIGN ASSISTANCE APPROPRIATIONS ACT.
THE EXECUTIVE BRANCE HAS AUTHORITY TO CONDUCT P.L. 480
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PROGRAMS, AND THE \$1211 MILLION FIGURE INCLUDED IN THE
SUMMARY TABLE ABOVE REFLECTS ADMINISTRATION ESTIMATES FOR
FY 78.

A NUMBER OF AMENDMENTS TO THE P.L. 480 PROGRAM WERE APPRO-
VED BY THE SENATE AGRICULTURE COMMITTEE AS PART OF THE
OMNIBUS FARM BILL. THEY WILL ALSO BE CONSIDERED AS PART
OF THE FY 78 AUTHORIZING LEGISLATION FOR INTERNA-
TIONAL DEVELOPMENT ASSISTANCE. KEY PROVISIONS INCLUDE:

--REPEALS PROHIBITION ON TITLE I SALES TO COUNTRIES WHICH
TRADE WITH CUBA OR NORTH VIETNAM AND ON TITLE I SALES TO
THE UNITED ARAB REPUBLIC.

--CHANGES CURRENT POVERTY CRITERION GOVERNING P.L. 480
TITLE I ALLOCATIONS FROM \$300 PER CAPITA GNP TO THE CURRENT
IDA CRITERION (\$550 PER CAPITA IN 1976 DOLLARS AT THIS
POINT).

--PROVIDES THAT NOT LESS THAN 5 PERCENT OF TITLE I SALES
PROCEEDS BE SET ASIDE TO FUND PROJECTS WHICH AID THE
DISTRIBUTION AND CONSUMPTION OF U.S. FARM COMMODITIES.

--EXTENDS TO PL.L. 480 THE HUMAN RIGHTS PROVISIONS
ALREADY IN THE BILATERAL DEVELOPMENT ASSISTANCE AUTHOR-
IZATION.

--SETS A 1.5 MILLION METRIC TON MINIMUM FOR P.L. 480

TITLE II GRANT HUMANITARIAN PROGRAMS, OF WHICH NOT LESS THAN 1.3 MILLION TONS SHALL BE MADE AVAILABLE TO NON-PROFIT VOLUNTARY AGENCIES AND THE WORLD FOOD PROGRAM.

--ESTABLISHES A FOOD FOR DEVELOPMENT PROGRAM, USING THE UNCLASSIFIED

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CURRENT AUTHORITY TO FORGIVE TITLE I LOAN REPAYMENTS AND

ADDING NEW AUTHORITIES AND INCENTIVES FOR DEVELOPING COUNTRIES TO UTILIZE THE LOCAL CURRENCY PROCEEDS OF FOOD SALES TO INCREASE THEIR OWN PRODUCTION AND DEVELOPMENT.

--REQUIRES THE SECRETARY OF AGRICULTURE TO DETERMINE THAT ADEQUATE STORAGE FACILITIES ARE AVAILABLE, AND THAT THERE WILL BE NO DISINCENTIVE TO DOMESTIC AGRICULTURAL PRODUCTION IN THE RECIPIENT COUNTRY, PRIOR TO PROVISION OF P.L. 480 COMMODITIES.

--PROHIBITS PROVISION OF TITLE II HUMANITARIAN RELIEF TO COUNTRIES NOT NEGOTIATING IN GOOD FAITH ON EXPROPRIATION CLAIMS, EXCEPT FOR NATURAL DISASTERS IN WHICH CASE RELIEF ASSISTANCE MAY BE PROVIDED FOR UP TO 90 DAYS.

E. RELATED EXPENSES: THERE ARE A NUMBER OF OTHER BUDGET REQUESTS INCLUDED IN THE FY 78 SUBMISSION WHICH RELATE TO DEVELOPMENT AND HUMANITARIAN ASSISTANCE. THESE INCLUDE:

..... REQUEST .. HOUSE .. SENATE
..... (\$ MILLION)

AID OPERATING EXPENSES 220.2 .. 215.2 .. 210.2

PEACE CORPS 81.0 .. 81.0 .. 81.0

U.S. EMERGENCY REFUGEE AND
MIGRATION ASSISTANCE FUND .. 15.0 .. 10.0 .. 10.0

DEPT. OF STATE MIGRATION
AND REFUGEE ASSISTANCE ... 30.0 .. 53.1 .. 53.1

TOTAL 436.2 .. 359.3 .. 354.3

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4. MAJOR ISSUES:

A. INTERNATIONAL DEVELOPMENT ASSOCIATION (IDA): IN KEEPING WITH ADMINISTRATION EMPHASIS ON MEETING BASIC HUMAN AND INCREASING THE VOLUME OF DEVELOPMENT ASSISTANCE, A

SUBSTANTIAL U.S. CONTRIBUTION TO IDA HAS BEEN REQUESTED IN THE FY 78 BUDGET. THE \$1175 MILLION REQUESTED FOR IDA IN FY 78 INCLUDES \$375 MILLION FOR OUR THIRD INSTALLMENT ON THE U.S. CONTRIBUTION TO THE FOURTH REPLENISHMENT (IDA IV) AND \$800 MILLION FOR THE FIRST INSTALLMENT ON IDA V. OUR CONTRIBUTION TO IDA IV IS OF PARTICULAR IMPORTANCE BECAUSE WE ARE WELL BEHIND OTHER DONORS IN FULFILLING OUR PLEDGE TO THIS REPLENISHMENT. OTHER DONORS PAID THEIR CONTRIBUTIONS TO IDA IV IN THREE INSTALLMENTS DURING FYS 75, 76 AND 77. UNDER A SPECIAL AGREEMENT, THE U.S. HAD

ARRANGED TO MAKE ITS CONTRIBUTION IN FOUR INSTALLMENTS DURING FYS 76, 77, 78, AND 79, AND HAD THEN FALLEN INTO ARREARS ON THE FY 76 PAYMENT. THIS ARREARAGE WAS RECOUPED IN THE FY 77 SUPPLEMENTAL BUDGET REQUESTS. IN ORDER TO KEEP ON SCHEDULE FOR IDA IV AND BEGIN IDA V CONTRIBUTIONS, THE FULL \$1175 MILLION REQUEST WOULD BE NEEDED. THE HOUSE CUT THE REQUEST TO \$950 MILLION, AND THE SENATE FURTHER REDUCED THE FIGURE TO \$800 MILLION. THE DIFFERENCE BETWEEN THE HOUSE AND SENATE FIGURES WILL HAVE TO BE RESOLVED IN CONFERENCE DURING SEPTEMBER. WHILE EITHER FIGURE WOULD COVER OUR PLEDGE UNDER IDA V, ONLY THE HIGHER HOUSE FIGURE WOULD ALLOW US TO MAKE EVEN PARTIAL PAYMENT ON IDA IV.

B. HUMAN RIGHTS: THE CONGRESS SHARES THE ADMINISTRATION'S COMMITMENT TO ENCOURAGE HUMAN RIGHTS THROUGH FOREIGN ASSISTANCE PROGRAMS; THERE ARE DIFFERENCES BETWEEN THE TWO HOUSES, HOWEVER, ON THE DEGREE OF FLEXIBILITY TO BE UNCLASSIFIED

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ALLOWED THE EXECUTIVE BRANCH IN ACHIEVING THIS OBJECTIVE. IN THE HOUSE CONSIDERATION OF THE IFI AUTHORIZATION BILL, FOR EXAMPLE, LANGUAGE WAS INCLUDED WHICH WOULD REQUIRE THE U.S. TO VOTE AGAINST IFI LOANS TO HUMAN RIGHTS VIOLATORS. IN CONFERENCE WITH THE SENATE ON THE AUTHORIZATION BILL, THIS LANGUAGE WAS ALTERED TO INSTRUCT U.S. REPRESENTATIVES TO IFIS TO OPPOSE SUCH LOANS, WITH OPPOSITION EXPLICITLY DEFINED AS NOT REQUIRING A NEGATIVE VOTE BUT PRECLUDING A POSITIVE ONE. THIS GIVES OUR REPRESENTATIVES THE OPTIONS OF ABSTAINING OR BEING ABSENT ON LOANS TO COUNTRIES WHERE HUMAN RIGHTS PROBLEMS MAY EXIST. FURTHERMORE, THE U.S. NEED NOT OPPOSE LOANS WHICH MEET BASIC HUMAN NEEDS OR WHERE THE PRESIDENT DETERMINES THAT INTERNATIONAL HUMAN RIGHTS WOULD BE BETTER SERVED BY OTHER ACTIONS.

THE CONFERENCE LANGUAGE HAS BEEN APPROVED BY THE FULL SENATE, BUT WILL NOT COME ON THE FLOOR OF THE HOUSE UNTIL SEPTEMBER. IF THE HOUSE UPHOLDS THE CONFERENCE LANGUAGE, THE ADMINISTRATION WILL HAVE THE FLEXIBILITY IT SEEKS IN THE AREA OF HUMAN RIGHTS. CONGRESSIONAL ACTION ON BILATERAL PROGRAMS INSTRUCTS THEIR ADMINISTRATORS TO

TAKE NOTE OF U.S. POLICY AND ACTIONS IN MULTILATERAL INSTITUTIONS, THEREBY HARMONIZING OUR APPROACH TO HUMAN RIGHTS QUESTIONS WITHIN THE BROAD RANGE OF U.S. DEVELOPMENT ASSISTANCE EFFORTS.

C. RESTRICTIONS IN THE IFIS: BEYOND THE HUMAN RIGHTS RESTRICTIONS MENTIONED ABOVE, CONGRESSIONAL AMENDMENTS ALSO SOUGHT TO DIRECT U.S. VOTING PATTERNS FOR IFI LOANS TO CERTAIN COUNTRIES AND FOR CERTAIN PROJECTS. ONE AMENDMENT SOUGHT A PROHIBITION AGAINST THE DIRECT OR INDIRECT USE OF

FOREIGN ASSISTANCE FUNDS FOR AND TO VIETNAM, CAMBODIA, LAOS, UGANDA, ANGOLA, AND MOZAMBIQUE. "INDIRECT USE" OF FOREIGN ASSISTANCE FUNDS WOULD INCLUDE OUR CONTRIBUTIONS TO IFIS.
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IF THIS LANGUAGE WERE PASSED, U.S. CONTRIBUTIONS TO IFIS WOULD HAVE TO BE "EAR MARKED" TO EXCLUDE LOANS TO THESE COUNTRIES; A PROCEDURE WHICH WOULD PREVENT THE IFIS FROM ACCEPTING OUR CONTRIBUTIONS. THE SENATE, HOWEVER, AMENDED THE LANGUAGE TO EXCLUDE "INDIRECT" USES FROM THIS RESTRICTION. ANOTHER HOUSE AMENDMENT WOULD HAVE REQUIRED THE U.S. TO VOTE AGAINST IFI LOANS FOR PALM OIL, CITRUS OR SUGAR PROJECTS. THIS RESTRICTION WAS ALSO ELIMINATED BY THE SENATE. CONFERENCE ACTION ON THE TWO VERSIONS OF THE APPROPRIATIONS BILL WILL TAKE PLACE IN SEPTEMBER.

C. IFI SALARIES: MEMBERS OF THE SENATE ARE SEEKING ASSURANCES THAT THE SALARIES PAID TO U.S. EXECUTIVE DIRECTORS TO IFIS AND THEIR ALTERNATES DO NOT EXCEED THAT OF AN ASSISTANT SECRETARY AND A DEPUTY ASSISTANT SECRETARY OF THE TREASURY: \$50,000 AND \$47,500 RESPECTIVELY. IN ORDER TO IMPLEMENT THIS GUIDELINE, LANGUAGE HAS BEEN INTRODUCED WHICH WOULD PREVENT THE U.S. FROM MAKING ANY CONTRIBUTION TO IDA UNTIL THE SALARIES ARE REDUCED. WHILE TECHNICAL DIFFICULTIES ON THIS PROVISION ARE STILL BEING RESOLVED, IT IS LIKELY THAT THE FINAL BILL WILL RESULT IN SOME SALARY REDUCTION.

5. CURRENT STATUS AND PROJECTED OUTCOME: SEPARATE VERSIONS OF THE APPROPRIATIONS BILL HAVE PASSED BOTH THE FULL HOUSE AND SENATE. REMAINING DISCREPANCIES WILL BE RESOLVED IN CONFERENCE DURING SEPTEMBER, AFTER CONGRESS HAS RETURNED FROM ITS RECESS. DIFFERENCES IN FUNDING FOR MOST ITEMS ARE SMALL WITH THE EXCEPTION OF IDA AND SHOULD BE RESOLVED EASILY. THE MAJOR ISSUES FOR DEBATE WHEN THE HOUSE AND SENATE MEET IN CONFERENCE ON THE APPROPRIATIONS BILL IN SEPTEMBER WILL BE THE COUNTRY AND COMMODITY RESTRICTIONS DISCUSSED ABOVE (PARA. 4 C).
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HOUSE AMENDMENTS ON THESE ISSUES WERE ELIMINATED BY THE
SENATE, AND MUTUALLY AGREED LANGUAGE WILL NEED TO BE WORKED
OUT IN CONFERENCE. CHRISTOPHER

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Drafter: EB/PAS:JRDAWSON
Enclosure: n/a
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Film Number: D770293-0346
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From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t197708117/baaaetmy.tel
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Litigation History:
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Review Media Identifier:
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Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1445680
Secure: OPEN
Status: NATIVE
Subject: SUMMARY REPORT: FY 78 FOREIGN ASSISTANCE LEG- ISLATION
TAGS: EAID, US, XX
To: ALL DIPLOMATIC AND CONSULAR POSTS XMT BISSAU MULTIPLE
Type: TE
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Review Markings:
Margaret P. Grafeld
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